
FISCAL UPDATE Article

Fiscal Services Division

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END OF SESSION — BUDGET RECAP FOR 2019 LEGISLATIVE SESSION

The 2019 General Assembly passed a balanced budget for FY 2020 and revised the FY 2019 General Fund budget. The information below provides a summary of General Fund budgets for year-end FY 2018, revised FY 2019, and FY 2020.

Fiscal Year 2018. The FY 2018 General Fund budget was first enacted during the 2017 Legislative Session. The initial budget was based on total available resources of \$7.371 billion and net appropriations (after projected reversions) of \$7.263 billion, resulting in an estimated ending balance of \$107.3 million. As the fiscal year progressed, the FY 2018 budget went through numerous changes. The Revenue Estimating Conference (REC) met in October and December 2017 and lowered the FY 2018 revenue estimate by \$133.0 million (1.8%). The FY 2018 revenue estimate was also increased by \$28.4 million due to federal tax law changes signed into law on December 22, 2017.

From January to March 2018, various General Fund budget shortfalls were projected that ranged from \$3.6 million to \$34.7 million. In order to bring the FY 2018 budget into balance, the General Assembly passed, and the Governor signed into law, [SF 2117](#) (FY 2018 Budget Adjustment Act). The Bill reduced appropriations by a net total of \$23.3 million and transferred \$10.0 million in revenue from the Skilled Worker and Job Creation Fund to the General Fund. As a result of these actions, the FY 2018 General Fund surplus was estimated to be \$31.7 million at the close of the 2018 Legislative Session. The FY 2018 General Fund budget ended the fiscal year with a surplus of \$127.3 million. This was \$95.6 million more than the previous estimate of \$31.7 million. For additional information on the FY 2018 General Fund budget, see the following report: [State of Iowa FY 2018 Year-End Report on General Fund Revenues and Appropriations](#).

Fiscal Year 2019. In May 2018, the initial FY 2019 General Fund budget was enacted and was based on total available resources of \$7.641 billion. This included the March 2018 REC revenue estimate of \$7.546 billion, net revenue adjustments of \$94.9 million, and an estimated surplus carryforward of \$0.8 million. The FY 2019 revenue adjustments included net General Fund reductions totaling \$93.4 million passed by the General Assembly and an increase of \$188.3 million associated with the impact on the Iowa federal deductibility statute of federal tax law changes signed into law in December 2017. The revenue reductions were driven largely by the passage of [SF 2417](#) (Income and Sales Tax Modernization Bill). This Bill reduced revenues by an estimated \$100.1 million for FY 2019 and by an estimated \$1.527 billion over the next five years. General Fund appropriations totaling \$7.480 billion were enacted for FY 2019, resulting in an estimated ending balance of \$166.2 million.

The REC's final General Fund revenue estimate for FY 2019 (\$7.734 billion) resulted in an increase \$93.0 million compared to the adjusted estimate from the 2018 Legislative Session. In addition, the revised surplus carryforward estimate is \$71.0 million, an increase of \$70.2 million compared to the previous estimate of \$0.8 million.

During the 2019 Legislative Session the General Fund passed supplemental appropriations totaling \$168.6 million for FY 2019 (**Table 1**). This included appropriations of \$150.3 million for the Medicaid program and \$15.0 million to the Department of Homeland Security and Emergency Management for flood recovery assistance in western Iowa. There was also an adjustment of \$-5.4 million to various standing unlimited appropriations during FY 2019. As a result of these actions, the current General Fund surplus for FY 2019 is estimated to remain at \$166.2 million.

	<u>FY 2019</u>
Human Services – Medical Assistance	\$ 150.3
Homeland Security and Emergency Mgmt – Flood Recovery	15.0
State Public Defender – Indigent Defense	2.5
Administrative Services – Utilities	0.5
Iowa Law Enforcement Academy – Relocation Expenses	0.3
Iowa Public Television – Operations	0.1
Total	<u><u>\$ 168.6</u></u>

*Numbers may not equal totals due to rounding.

Fiscal Year 2020. The FY 2020 General Fund budget passed by the 2019 General Assembly was based on total available resources of \$7.916 billion. This includes the March 2018 REC revenue estimate of \$7.868 billion, revenue adjustments of \$-9.2 million, and a surplus carryforward of \$76.8 million (**Table 2**). The FY 2020 revenue adjustments are listed in **Table 3**.

The General Assembly appropriated \$7.644 billion from the General Fund for FY 2020, which is \$193.8 million below the expenditure limitation of \$7.838 billion. The FY 2020 appropriations represent a net increase of \$0.3 million (rounded 0.0%) compared to estimated FY 2019, after the addition of \$168.6 million for the supplemental appropriations. The General Fund ending balance for FY 2020 is estimated to be \$277.3 million.

Table 2
State of Iowa
Projected Condition of the General Fund
(In Millions)

	Actual FY 2018	Revised FY 2019	Legislative Action FY 2020
Resources			
Receipts (Dec 2018 Est)	\$ 7,383.9	\$ 7,728.6	\$ 7,868.4
March REC Adjustment	0.0	5.0	- 20.0
Net Receipts	7,383.9	7,733.6	7,848.4
Revenue Adjustments	0.0	- 0.2	- 9.2
Subtotal Receipts	7,383.9	7,733.4	7,839.2
Surplus Carryforward	0.0	71.0	76.8
Total Available Resources	\$ 7,383.9	\$ 7,804.4	\$ 7,916.0
Expenditure Limitation			\$ 7,837.5
Estimated Appropriations and Expenditures:			
Appropriations	\$ 7,268.6	\$ 7,480.2	\$ 7,643.7
Adjustments to Standing Appropriations	15.8	- 5.4	0.0
Supplemental/Deappropriations	- 23.3	168.6	0.0
Total Appropriations	\$ 7,261.1	\$ 7,643.4	\$ 7,643.7
Reversions	- 4.5	- 5.2	- 5.0
Net Appropriations	\$ 7,256.6	\$ 7,638.2	\$ 7,638.7
Ending Balance - Surplus	\$ 127.3	\$ 166.2	\$ 277.3
Under (Over) Expenditure Limitation			\$ 193.8

Table 3
General Fund Revenue Adjustments by Bill
Legislative Action
(In Millions)

Bill No.	Description	FY 2019	FY 2020
SF 220	Corporation Section 179	\$ - 0.6	\$ - 0.4
HF 778	Beginning Farmer Tax Credit	0.0	- 0.4
HF 772	Broadband and Housing Incentives	0.0	- 2.2
SF 617	Sports Wagering	0.0	0.9
SF 597	Blood Processing Sales Tax Exemption	0.0	- 0.7
HF 779	Tax Code Changes Act	0.4	- 6.4
Total Revenue Adjustments		\$ - 0.2	\$ - 9.2

While the total net appropriations passed for FY 2020 were status quo compared to the estimated net appropriations for FY 2019, there were numerous increases and decreases for State agencies and programs (**Table 4**). There were eight programs that received increases totaling \$147.3 million. The largest increase in funding went to State Foundation School Aid, which received an increase of \$83.4 million (2.6%).

These increases were offset by appropriations reductions. The three largest reductions included two one-time appropriations made in FY 2019 that included \$113.1 million to the Cash Reserve Fund and \$15.0 million for 2019 Flood Recovery Assistance. The appropriation for Medicaid was reduced by \$60.7 million for FY 2020; however, the FY 2020 appropriation does not yet include the funding for the capitation rates that have yet to be negotiated with the managed care providers (MCOs). All other agencies and programs received a net increase of \$41.7 million (2.1%).

Programs/Appropriations	Est Net FY 2019	Final Action FY 2020	Change	Percent Change
State Foundation School Aid	\$ 3,207.6	\$ 3,291.0	\$ 83.4	2.6%
Regents Institutions	562.9	576.4	13.5	2.4%
College Aid - FRI Last-Dollar Scholarship	0.0	13.0	13.0	-
DHS – State Children's Health Insurance	7.1	19.4	12.3	173.2%
Education – Transportation Equity Fund	11.2	19.0	7.8	69.6%
DHS – Field Operations	49.1	55.4	6.3	12.8%
Community Colleges	202.7	208.7	6.0	3.0%
OCIO Broadband Grants	0.0	5.0	5.0	-
Flood Recovery Assistance	15.0	0.0	- 15.0	-100.0%
Medical Assistance (Medicaid)	1,488.1	1,427.4	- 60.7	-4.1%
Cash Reserve Fund Appropriation	113.1	0.0	- 113.1	-100.0%
Subtotal	<u>\$ 5,656.8</u>	<u>\$ 5,615.3</u>	<u>\$ - 41.5</u>	<u>-0.7%</u>
All Other Net Appropriations	\$ 1,986.7	\$ 2,028.4	\$ 41.7	2.1%
Total	<u>\$ 7,643.5</u>	<u>\$ 7,643.7</u>	<u>\$ 0.2</u>	<u>0.0%</u>

OCIO = Office of the Chief Information Officer
FRI = Future Ready Iowa
DHS = Department of Human Services

The combined balances in the State’s reserve funds are estimated to total \$783.9 million for FY 2020, which fills the reserves to the statutory maximum of 10.0% of the adjusted revenue estimate. In addition, this is an increase of \$21.8 million compared to the FY 2019 reserve balance (**Table 5**).

<u>Reserve Fund Balances</u>	<u>Actual FY 2018</u>	<u>Est Net FY 2019</u>	<u>Legislative Action FY 2020</u>
Cash Reserve Fund	\$ 442.4	\$ 571.6	\$ 587.9
Economic Emergency Fund	177.9	190.5	196.0
Total	\$ 620.3	\$ 762.1	\$ 783.9
<u>Reserve Fund Statutory Maximums</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Cash Reserve Fund	\$ 552.8	\$ 571.6	\$ 587.9
Economic Emergency Fund	184.3	190.5	196.0
Total	\$ 737.1	\$ 762.1	\$ 783.9

The Taxpayer Relief Fund is estimated to have a balance totaling \$73.4 million in FY 2020 (**Table 6**). The Fund received an allocation of \$13.4 million from the FY 2019 General Fund surplus and is estimated to receive an additional \$60.0 million from the FY 2020 General Fund surplus. The moneys in the Taxpayer Relief Fund can only be spent pursuant to an appropriation by the General Assembly for purposes of providing tax relief to Iowans.

	<u>Actual FY 2018</u>	<u>Estimated FY 2019</u>	<u>Estimated FY 2020</u>
Funds Available			
Balance Brought Forward	\$ 8.3	\$ 8.4	\$ 13.4
General Fund Surplus Transfer	0.0	13.4	60.0
Interest	0.1	0.0	0.0
Total Funds Available	\$ 8.4	\$ 21.8	\$ 73.4
Expenditures			
Transfer to the General Fund	\$ 0.0	\$ - 8.4	\$ 0.0
Ending Balance	\$ 8.4	\$ 13.4	\$ 73.4

OTHER STATE FUNDS

For FY 2020, the General Assembly appropriated \$1.242 billion from non-General Fund sources, which represents an increase of \$34.6 million (2.9%) compared to estimated net FY 2019. **Table 7** summarizes the Other Funds appropriations by appropriations subcommittee.

Table 7				
Other Funds Appropriations by Subcommittee				
(In Millions)				
	Actual	Est Net	Final Action	FY 2020 vs
	FY 2018	FY 2019	FY 2020	FY 2019
Administration and Regulation	\$ 55.0	\$ 55.3	\$ 55.9	\$ 0.6
Agriculture and Natural Resources	90.8	91.1	91.0	-0.1
Economic Development	18.5	26.8	28.1	1.3
Education	40.3	40.3	40.3	0.0
Health and Human Services	430.2	413.1	432.1	19.0
Justice System	18.0	17.7	17.8	0.1
Transportation, Infrastructure, and Capitals	536.5	541.4	561.8	20.3
Unassigned Standings	25.0	21.2	14.6	-6.6
Grand Total	\$ 1,214.3	\$ 1,206.9	\$ 1,241.4	\$ 34.6

*Numbers may not equal totals due to rounding.

Table 8 summarizes the Other Funds appropriations by fund source.

Table 8				
Other Funds Appropriations by Fund Source				
(In Millions)				
	Actual	Est Net	Final Action	FY 2020 vs
	FY 2018	FY 2019	FY 2020	FY 2019
Primary Road Fund	\$ 335.5	\$ 338.5	\$ 353.2	\$ 14.7
Health Care Trust Fund (Medicaid)	221.9	209.7	208.5	-1.2
Rebuild Iowa Infrastructure Fund	127.4	137.3	138.8	1.5
Temporary Assistance for Needy Families	136.2	130.8	130.5	-0.3
Iowa Skilled Worker and Jobs Creation Fund	56.0	63.8	63.8	0.0
Quality Assurance Trust Fund (Medicaid)	36.7	36.7	58.6	21.9
Road Use Tax Fund	53.8	53.7	54.1	0.4
Fish and Wildlife Trust Fund	43.8	44.0	44.0	0.0
Environment First Fund	42.0	42.0	42.0	0.0
Hospital Health Care Access Trust (Medicaid)	33.9	33.9	33.9	0.0
Commerce Revolving Fund	30.7	30.7	30.9	0.2
Technology Reinvestment Fund	10.1	14.4	18.1	3.7
Other	86.3	71.4	65.0	-6.4
Grand Total	\$ 1,214.3	\$ 1,206.9	\$ 1,241.4	\$ 34.6

*Numbers may not equal totals due to rounding.

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